

2019 SRDP Public Comments and Responses

1. **Comment:** What is the rationale for allowing only new construction and from barring PHAs?

Response: Rehabilitation is not an eligible project type for the 2019 SRDP funding round, because SC Housing is not currently approved by the U.S. Department of Housing and Urban Development (HUD) to use National Housing Trust Funds for rehabilitation. Public Housing Authorities (PHA's) are not barred from participating and are specifically included in the list of eligible applicants provided on page 7 of the application manual.

2. **Comment:** The imposition of the placed-in-service application created as a requirement in the midst of developments being built plus an overreaching inspections program that no tax credit developer would ever tolerate are two primary causes as to why the HOME program has floundered over the last few years.

Response: In addition to being an industry standard best practice, placed-in-service applications are required by HUD regulation for both the HOME and National Housing Trust Fund programs.

The 2013 HOME final rule implemented a higher degree of oversight for all Participating Jurisdictions which now requires PJ's to inspect projects to ensure they are built in accordance with applicable codes, construction contracts, and other construction documents such as plans, specifications, soil reports, etc. SC Housing's inspection program documents compliance these HUD regulatory requirements. The timing of inspections is designed to ensure all components of construction can be viewed prior to them being obscured by subsequent phases of construction.

3. **Comment:** SC Housing was slow to move quickly in understanding that both 30% median income and poverty level incomes could be recognized under the NHTF program, resulting in a delay of giving any awards until this last year.

Response: SC Housing began developing its understanding of the income requirements for the NHTF program upon initial announcement of the program. Awarding of the funds has not been delayed and, in fact, SC Housing issued its first awards in 2017. To date, SC Housing has met all HUD funding commitment deadlines for the NHTF program.

4. **Comment:** SC Housing has a responsibility to correct its course and do all it can to revive the SC non-profit development community. The SRDP should attract both non-profits and for-profits given that up to 32 units can be built. Every consideration needs to be given to ensure that all capable SC non-profits are given the opportunity at least to compete in this next SRDP round.

Response: All qualified non-profits have an opportunity to apply for SRDP funding. In addition, non-profits that receive certification as a Community Housing Development Organization (CHDO) can apply for SRDP funding in the CHDO set-aside. SC Housing has set aside \$1.1 million of HOME funds for CHDOS for 2019.

Establishing standards for organizational capacity is an administrative responsibility of SC Housing as the HUD grantee for the HOME and NHTF programs. As the responsible entity and administrator for the entirety of funding for each project, SC Housing must take steps to ensure awarded applicants are financially solvent and have the financial wherewithal to overcome any development set-back. When projects do not meet HUD completion deadlines or fail to fulfill the requirements for the entire duration of the affordability period, HUD requires that all funding disbursed to such projects be repaid to the U.S. Treasury. SC Housing is responsible for establishing organizational capacity standards that minimize this risk.

5. **Comment:** I recommend that the definition of Project Completion in definitions be changed along with your present contractual requirements with ongoing developments such that as soon as a project is 100% complete as verified by your inspections staff, the developer should have a full right to obtain their developer fee. Second, completion should be defined only as 100% complete. This definition would exclude inclusion of the requirement that the Placed-In-Service application be submitted and approved and that all HUD reviews have been completed. History indicates that such a review takes up to four to five months after project completion! I consider the Placed-In-Service application as effectively a full audit of a development with the implication that something wrong or illegal has been done. The trust and respect given the SC non-profit community is no longer in evidence.

Response: SC Housing's definition of project completion is modeled after HUD's definition of project completion for the HOME and NHTF Programs. There are many additional tasks that must be completed after a project has passed a final inspection to be considered complete. These tasks are time sensitive and must be completed by the regulatory deadlines required by HUD. SC Housing will amend the definition as follows:

Project Completion: Occurs when all necessary title transfer requirements have been finalized; loan closing documents have been recorded and returned to the Authority; one hundred percent (100%) of the construction has been completed; a certificate of occupancy (CO) has been issued; a placed in service application has been submitted; the final draw down of funds has been disbursed for the project; the project completion reports have been submitted and the project activity has been closed-out in HUD's Integrated Disbursement and Information System (IDIS).

SC Housing cannot disburse the developer fee until the amount earned has been verified by the placed-in-service application, because we can only disburse funding based on documented eligible project costs. Reviewing these costs prior to disbursing funds is an administrative responsibility of SC Housing as the designated HUD Grantee for these programs. On average, the placed-in-service application review takes 30-45 days from the date a complete and accurate application has been provided.

6. **Comment:** I further recommend that the February 1 deadline be moved to March 1 since by the time you notify the community of the change, the February 1 deadline would already have passed.

Response: The threshold completion requirements for open HOME funded projects have been revised to the following:

- a) All 2015 and prior projects officially closed out (see “project completion” definition) on or before April 15, 2019.
- b) All 2016 projects must have 75% construction completed on or before April 15, 2019 as evidenced by an SC Housing inspection.
- c) All 2017 projects must be in compliance with the HOME Funding Agreement Exhibit A – Implementation Schedule by April 15, 2019.

7. **Comment:** Could you please clarify the below.

Proposed sites deemed by the Authority to be a new phase to an existing Authority funded development consisting of eight or more units. Does this mean same tract of land, same ownership, adjacent and adjoining parcels, same neighborhood, etc.?

Depending on how this is defined, it could pose some issues. Suppose as an example that Developer A and Developer B both submit an application in Allendale County within the same neighborhood. Developer A has an existing development in the same neighborhood, would Developer A be ruled ineligible and Developer B funded because of this (seems blatantly unfair, especially if A scored better than B)?

If the Development scores well enough to get funded, should that not be the overriding concern, especially if it is in an undeserved county?

Response: The intent of the 2019 SRDP is to integrate a small number of affordable housing units (4 to 8) into neighborhoods and communities. To ensure this integration, properties located on sites adjacent to or across the street from any existing SC Housing funded project that contains 8 or more units are prohibited regardless of ownership.

8. **Comment:** All sites must have a minimum of 4 units and have no more than a maximum of 8 units.

Per your verbal confirmation, and from Chris McMillan today too, it is SC Housing's intention with this regulation to ensure that affordable housing is not congregated or clustered in large numbers in isolation, but rather is integrated into neighborhoods or developments having a diversity of incomes. I applaud this intention! It is exactly what we, and other non-profit affordable housing developers in SC have been doing for some time now—making sure that there is a diversity of incomes surrounding affordable housing, and that affordable housing is indistinguishable (for the most part, at least from the curb) from the market housing around it.

This regulation, however, hinders this where there are opportunities for large tract developments that will incorporate market rate units mixed in with the affordable units.

So, my suggestion is this—why not allow, *in these instances*, the applicant to present a site plan with the application that clearly shows this integration and placement within a larger development showing market units and affordable units interspersed and indistinguishable from the outside, that would allow for contiguous parcels, or one large parcel, to have more than 8 units each site, including the market units? And further, the site plan would show a minimum of a 30/70 mix (affordable vs. market) with the goal of 50/50 if possible.

Response: SC Housing continues to evaluate the housing needs of South Carolina and design our programs to meet these needs. We will keep this comment under consideration for future funding rounds.

9. **Comment:** Assuming that the intention behind not allowing single-family detached in the SRDP is to maximize density, why not—instead of eliminating this critical type of housing that is in keeping with most neighborhood character that affordable housing is built in—allow single-family, but simply limit lot sizes to ensure that developments are still maximizing density? Or, maybe allow some % of single-family within a project (no more than 50% as an example) that would also include duplexes, triplexes, quadraplexes, etc.?

Response: The unit types listed on page 6 of the Application Manual will be revised to include single family units. With the exception of single family homes, all sites must contain a minimum of 4 units and a maximum of 8 units. Projects that include single family homes may contain up to 8 single family home sites that are located within a 1 mile radius. The project minimum of 8 units must still be met.

10. Comment: It would be great to see SC Housing provide a prioritization in its programs for individuals/families that are homeless or exiting a CoC PSH program into a HOME rental Unit.

Response: Applications that designate at a minimum, 10% of the total units for disabled, homeless, or special needs tenants can receive 2 points. Please see page 21 of the application manual.

11. Comment: I would like to respectfully propose a change to the 2019 draft SRDP manual. Currently, as I read it subdividing from a larger parcel is not permitted if not completed prior to application. I've frequently put sites under contract that provided for a specific carve-out from a larger parcel. Subdivisions are then recorded at the time of land closing. As long as the carve out proposed in the application is 100% utilized for the development proposed in SRDP app and carve out does not change materially at closing (similar to what's done in many 9% deals), could this restriction be reconsidered?

Given the smaller nature of SRDP deals, not allowing for subdivision from larger tracts will greatly limit the sites that are available for development. Further, it will likely result in excessive land purchases (and purchase prices) as more acreage will be purchased than is necessary for the development thus increasing the funds needed for a development.

If SRDP allows proposed subdivisions as long as the acreage being subdivided is used 100% for the proposed development, I don't anticipate issues and this would align the SRDP program with the 9% which appears to work without issue.

Response: Subdividing from a larger parcel will be allowed if the following conditions are met.

- Subdivision of the parcel must be completed prior to closing the SC Housing loans.
- A map of the entire parcel must be provided that clearly indicates where the property lines for the subdivided project site will be located.
- The appraisal must include specific information on the value of the portion of the parcel that will be subdivided for the project.

12. Comment: The draft of the 2019 manual works well for us. The only thing that could possibly be better is if we could build our Genesis Homes cottage that is 720 square feet and 2BR/1BA. It is a great product for seniors and Vets.

Response: The per unit square foot requirements set forth in the application manual are designed to ensure the units provide functional livable spaces for

tenants. Within its sole and absolute discretion, SC Housing may grant an exception to the minimum requirements only for developments targeting elderly, veteran, homeless, and other special need populations and only where the Authority determines the proposed units provide functional livable spaces for tenants. To be deemed a functional living space, the building plans must at a minimum demonstrate that: (1) the unit will have enough space to accommodate all essential furnishings and appliances, and (2) it will allow appropriate means of egress. To request an exception, the applicant must provide drafts of the building plans for review no later than April 15, 2019.

- 13. Comment:** Page 2 – definition of “Application Cycle”: please confirm that applications will be accepted from May 30-31 (vs. April 29-30 as currently written).

Response: Applications will be accepted from 8:30 a.m. to 5:00 p.m. on May 29-31, 2019.

- 14. Comment:** Page 6 – Eligible Projects/Activities/Properties: While it isn’t clear from the current language in the manual, it is our understanding after discussions with Authority staff that the intent is to limit the maximum development size to 8 units on each site. This is very restrictive, results in a higher per square foot and per unit construction costs and greatly limits a developments ability to realize operational economies of scale and provide any amenities to the residents. We suggest that the maximum number of units per site be 32, but include language in the SDRP Manual that affords a developer with the flexibility to combine multiple sites.

Response: The intent of the 2019 SRDP is to integrate a small number of affordable housing units (4 to 8) into neighborhoods and communities. To ensure this integration, properties located on sites adjacent to or across the street from any existing SC Housing funded project that contains 8 or more units are prohibited regardless of ownership.

- 15. Comment:** Page 7 – Ineligible Properties, #1: We respectfully request that small properties adjacent to existing funded tax credit developments be permitted. Currently, there is no program that would allow for the development of a community of less than 40 units using Authority funding (minimum development size to utilize LIHTC’s is 40 units). Furthermore, residents of a development financed using SRDP funds could benefit greatly from their proximity to an existing development. For instance, if the existing development had on-site property management, a clubhouse, swimming pool or other amenities, residents of the new SRDP funded development may be able to utilize these amenities which would otherwise not be financially feasible in a smaller development. And, since market rate tenants as well as those earning up to 80% of the AMI are permitted in SDRP developments, an opportunity to create mixed income communities can be realized by permitting SDRP developments as phases of existing tax credit developments.

Response: The intent of the 2019 SRDP is to integrate a small number of affordable housing units (4 to 8) into neighborhoods and communities. To ensure this integration, properties located on sites adjacent to or across the street from any existing SC Housing funded project that contains 8 or more units are prohibited regardless of ownership.

- 16. Comment:** Page 10 – Operating Expenses: there needs to be a provision to allow for operating expenses to be underwritten at an amount higher than \$4,000 per unit provided the applicant provides support for those higher amounts (e.g., insurance for coastal properties or owner-paid utilities, among others).

Response: SC Housing’s established underwriting policies, including the \$4,000 per unit amount for operating expenses, are based on historical data. SC Housing will consider documentation that the development should be underwritten using a higher amount for operating expenses for circumstances included but not limited to: required insurance premiums, owner paid utilities, or property taxes. Within its sole and absolute discretion, SC Housing will determine whether the documentation justifies a higher per unit operating expense amount and will underwrite accordingly.

- 17. Comment:** Is the SC Housing Authority using the same checklist for the 2019 application as it did in 2018? If not, please advise of pertinent changes. Specifically, we are concerned with Tabs 6/7 of the checklist: Construction and Site. In addition, are all exhibits to the 2018 checklist going to be the same for the 2019 checklist?

Response: The application checklist and exhibits for the 2019 application will be revised accordingly, based on the final version of the 2019 SRDP Application. Tabs 6 and 7, require the submission of preliminary development plans, site plan, M-36 construction design certification, phase I environmental assessment, appraisal, site control documentation, notice to seller, and a zoning letter. These items will be required in the 2019 application.

- 18. Comment:** What are the specifics for the audited financials required for application submission? Is a complete and formal audit only required if the applicant is a non-federal entity that expends \$750,000 or more of federal funds in a year? Or can the applicant's financial statements (i.e. income statement and balance sheet) be compiled or reviewed by a SC Board certified CPA? Please confirm the oldest date allowable for the CPA audited/compiled/reviewed financials.

Response: All applicants are required to submit audited financial statements. Financial statements must include a balance sheet dated on or after September 30, 2017. Details of the requirements for submitting financial statements are provided in the definition of “Financial Statements” on page 4 of the application manual. In

addition, applicants that are non-federal entities (non-profits and governmental entities) that expended \$750,000 or more of federal funds during their fiscal year must submit a copy of their most recent audit completed in accordance with 2 CFR Part 200, subpart F.

19. Comment: Page 17, #4 of the 2019 Draft Manual states, "Applicants who currently have HOME Program Income or CHDO Program Proceeds are not eligible to apply for additional funds until those funds have been expended". Is this only for SC Housing HOME/CHDO funds? We were awarded PY2018 CHDO funds through the City of North Charleston, does that exclude us?

Response: This requirement only applies to applicants with HOME Program Income and/or CHDO Proceeds earned from SC Housing funded projects.

20. Comment: Page 6, #5 of Eligible Projects of the 2019 Draft Manual states, "Have suitable amenities". Does the Authority have a list of these suitable amenities it's referring?

Response: Please refer to the development design criteria and mandatory design criteria on pages 22-25.

21. Comment: If an applicant chooses to use a consultant for the SRDP Application and/or project, is said consultant required to be "approved" by the Authority? If so, what is approval process and/or do you have a list of previously approved consultants?

Response: SC Housing does not have a list of approved consultants. Per page 13 of the application manual, consultants are limited to the administrative management of the project only and may not be involved with more than two open awards at a time. Consultants must also be in compliance with conflict of interest requirements and will be required to certify to such. Staff will review information submitted for the use of consultants during the application review process.

22. Comment: Is the Market Study Needs Assessment Report requirement the same as 2018? If so, page 18, #10 of the 2019 Draft Manual mentions that an update to a Market Study Report is adequate provided the previous Report was prepared by an Authority approved provider. Is there any way to research previously submitted approved Reports to see if any match our market so we pull that and get an updated Report prepared?

Response: Each applicant must commission a market study needs assessment report for their specific project. All market study needs assessments must be completed by an SC Housing approved market study provider. If an applicant commissioned a report from a SC Housing approved market study provider and the

report is older than 6 months, the applicant may have that report updated by the provider that produced the report. An applicant cannot have a report updated that was commissioned by another applicant in a previous funding round.

23. Comment: The biggest hurdle for the Lowcountry will be the \$185,500 Total Development Costs maximum. Our initial calculation for an 11-unit multifamily project is around \$250,000 per unit. This higher cost is due to the shortage of available skilled labor, hurricane wind loads and seismic design requirements. We realize that it is a big gap between \$185,000 and \$250,000 but that is the reality we are facing in Charleston. We would like to propose a higher Total Development Cost allowance for the Lowcountry due to these factors.

Response: Should the total development cost per unit exceed the maximum cost per unit for the corresponding building type, the application must include an addendum that thoroughly explains why the project could not be completed at or below the maximum cost. This addendum should identify specific line items in which costs are well above average relative to similar buildings and/or other relevant drivers of excess development costs. The application should include appropriate documentation to justify this determination. To verify these claims, the Authority may use any third party resources it deems necessary to adequately perform a cost analysis of the application. Any costs related to the hiring or acquisition of said resources will be covered by the applicant. The Authority will reject all applications where the reasons for exceeding the maximum cost per unit are not substantiated and deemed to be valid and has sole discretion over whether any applications above maximum cost per unit receive funding.

24. Comment: A project located in Charleston County will receive 4 points in the current scoring criteria. We believe a project in Charleston County should receive 8 points because there were no SRDP projects in Charleston County and because we have the highest population concentration in the state and have the higher cost of living making the need for affordable housing dire.

Response: The points allotted for underserved counties are determined by the amount of time that has elapsed since SC Housing funded a HOME project in that county. 8 points are allotted for counties that have not had HOME funded projects in 5 or more years; 4 points are allotted for counties that have had HOME funded projects in the last 3 years; and 2 points are allotted for counties that had HOME funded projects in the previous year. HOME funds were awarded to a project located in Charleston county in 2017, which means projects in Charleston County will be allotted 4 points in the 2019 funding round.

25. Comment: The threshold requirement that we will be ineligible for a 2019 project under the current draft. 5b states that our 2016 project must be 75% complete by February 1. Can this date be extended?

Response: The threshold completion requirements for open HOME funded projects have been revised to the following:

- d) All 2015 and prior projects officially closed out (see “project completion” definition) on or before April 15, 2019.
- e) All 2016 projects must have 75% construction completed on or before April 15, 2019 as evidenced by an SC Housing inspection.
- f) All 2017 projects must be in compliance with the HOME Funding Agreement Exhibit A – Implementation Schedule by April 15, 2019.

26. Comment: Several of our development partners work in neighborhoods where single family homes are the predominant housing type and new single family homes can help to preserve the unique character of these older, often, African American neighborhoods. Please consider allowing single family development in the list of approved rental units. Perhaps you might consider a compromise, for example, for projects with 12 units or less (or some number), single family units are allowed;

Response: The unit types listed on page 6 of the Application Manual will be revised to include single family units. With the exception of single family homes, all sites must contain a minimum of 4 units and a maximum of 8 units. Projects that include single family homes may contain up to 8 single family home sites that are located within a 1 mile radius. The project minimum of 8 units must still be met.

27. Comment: Greenville is one of the counties receiving the lowest number of preference points. Please consider placing Greenville County in the 4-point or 8-point category. Most recent affordable housing study in the City of Greenville indicates a need for 2,500 affordable homes; in Greenville County that number is 9,000.

Response: The points allotted for underserved counties are determined by the amount of time that has elapsed since SC Housing funded a HOME project in that county. 8 points are allotted for counties that have not had HOME funded projects in 5 or more years; 4 points are allotted for counties that have had HOME funded projects in the last 3 years; and 2 points are allotted for counties that had HOME funded projects in the previous year. HOME funds were awarded to a project located in Greenville County in 2018, which means projects in Greenville County will be allotted 2 points in the 2019 funding round.

28. Comment: One of our development partners, may not be able to participate in the 2019 cycle due to the proposed minimum unrestricted liquid asset requirement. Please consider adjusting this requirement to allow more partners to participate in the program.

Response: Organizations that receive funding must have the financial capacity to ensure that projects are completed on time and remain financially sound throughout the duration of the affordability period. If these requirements are not met, SC Housing is required to return funds to HUD. This can have a detrimental and lasting effect on the funding levels allotted to the State.

Developing housing involves risk and the use of federal funds to develop housing increases the level of risk. Organizations must have the financial capacity to absorb unforeseen costs that often arise with development activities. SC Housing's financial capacity standards, including the proposed minimum unrestricted liquid asset requirement, are designed to ensure organizations have the capacity to absorb unforeseen costs so the development remains financially sound both during construction and throughout the affordability period.

Establishing responsible standards for financial capacity is a responsibility of SC Housing as the administrator of these programs. The minimum financial capacity standards will remain unchanged.

29. Comment: I want to endorse the Applicant definition that presently appears in the SRDP draft:

Applicant or Applicant Entity: Any eligible entity (public or private, for profit or nonprofit), proposing to develop affordable housing and adhere to all federal and state regulations. Also may include entities or persons of whom the Applicant Entity is comprised.

This definition is consistent with SC Housing's awards of the 6 awards granted to LLCs in 2018. The definition also opens up the possibility of non-profits banding together under an LLC to propose development of a larger project by combining resources and development experience within the LLC entity similar to what is done with LLCs in the tax credit program all the time. It is recognized that any non-profit taking such a route will lose their legal right to claim a property tax exemption for such a development.

I must register concern that 6 of the 8 awardees in 2018 were for-profit entities, giving for-profits access to the SC Housing Trust Fund for the first time in the history of the program. As a counter to that potentially dangerous trend, I hope that SC Housing and all non-profit advocates will do all in our power to give non-profits

every opportunity to compete head to head with any for-profit applicant in the 2019 SRDP round.

Response: All entity types that meet threshold requirements have the opportunity to submit competitive applications. The legislation governing the SC Housing Trust Fund has always permitted for-profits to participate in programs utilizing the fund. SC Housing has had many programs in the past which provided for-profits access to the SC Housing Trust Fund and the 2018 SRDP funding round was not the first time for-profits have participated in these programs.